

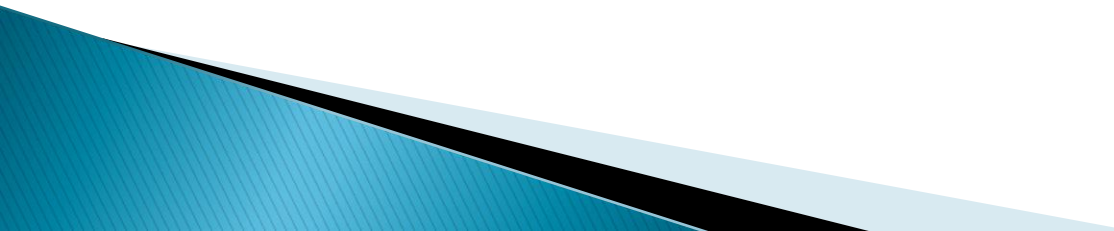


Yes  
we can!\*

\* balance the budget  
without raising taxes

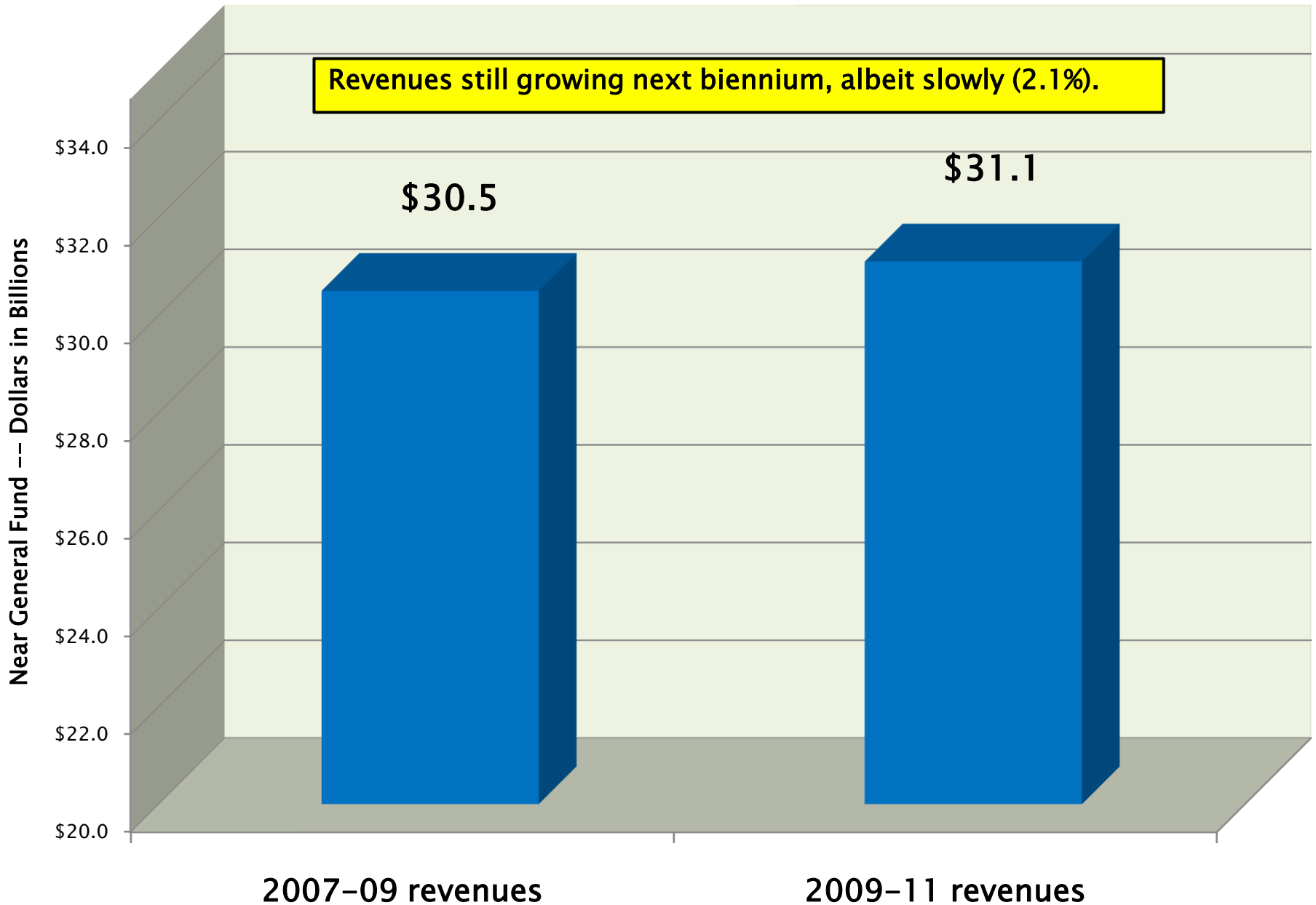


# Olympia does not have a revenue shortage

- ▶ Revenue collections are coming in lower than was anticipated -- but revenue is still coming in
  - ▶ Despite downturn in economy Washington state government still expects **more revenue** in 2009–11 than in 2007–09
- 

# Yes We Can, Part I: The state is still collecting more money

Revenues still growing next biennium, albeit slowly (2.1%).



# Deficit characterized as \$8.3 billion

\$1.3 billion deficit for 2007–09\*

+ \$6.5 billion for 2009–11\*

+ \$500 million ending reserve (assumed)

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\$8.3 billion

\* Based on 2/19 preview of state's March revenue forecast


# Deficit characterized as \$8.3 billion

- ▶ Does not count savings from HB 1694  
*(signed by governor 2/18)*
- ▶ Does not count federal money  
*(likely, there will be around \$3 billion available)*
- ▶ Does not assume tapping of Rainy Day Fund  
*(containing \$700 million in 2009-11)*
- ▶ \$1.4 billion (of \$8.3 billion) due simply to  
proposed policy changes, compensation  
increases

# “Educating” of the public has begun already

- ▶ Published remarks by majority party convey hopelessness over size of problem
  - “*Awful*”, “*horrendous*”, “*devastating*”
  - “*There just isn’t a way to cut our way out of this*”
- ▶ Will the public conclude tax increases are the only solution?
  - Is stage being set to put tax measure on statewide ballot (likely in June)?

# Can legislators balance 2009–11 budget without tax increases?

- ▶ Yes, we can!
  - ▶ Without massive tax hikes
  - ▶ Without decimating taxpayer-funded services for the most vulnerable
  - ▶ Without huge layoffs of public employees
  - ▶ Without undermining public education
  - ▶ First step: counter the overheated rhetoric
- 



# Yes, we can:

## If families faced this situation...

- ▶ If your income declined wouldn't you hold off on that planned addition to your house?
- ▶ Wouldn't you eliminate purchases your reduced income won't cover, then freeze your level of spending?
- ▶ If you did all that would you be able to move forward and get by financially?





# Yes, we can: What lawmakers can do

- ▶ Balance this biennium's budget.
- ▶ From there it's \$1.5 billion in reduced spending to match projected 2009–11 revenues -- NOT \$8.3 billion.
- ▶ Add entitlement caseloads and carry-forward costs, then reduce discretionary spending (based on priorities) to balance the new budget.

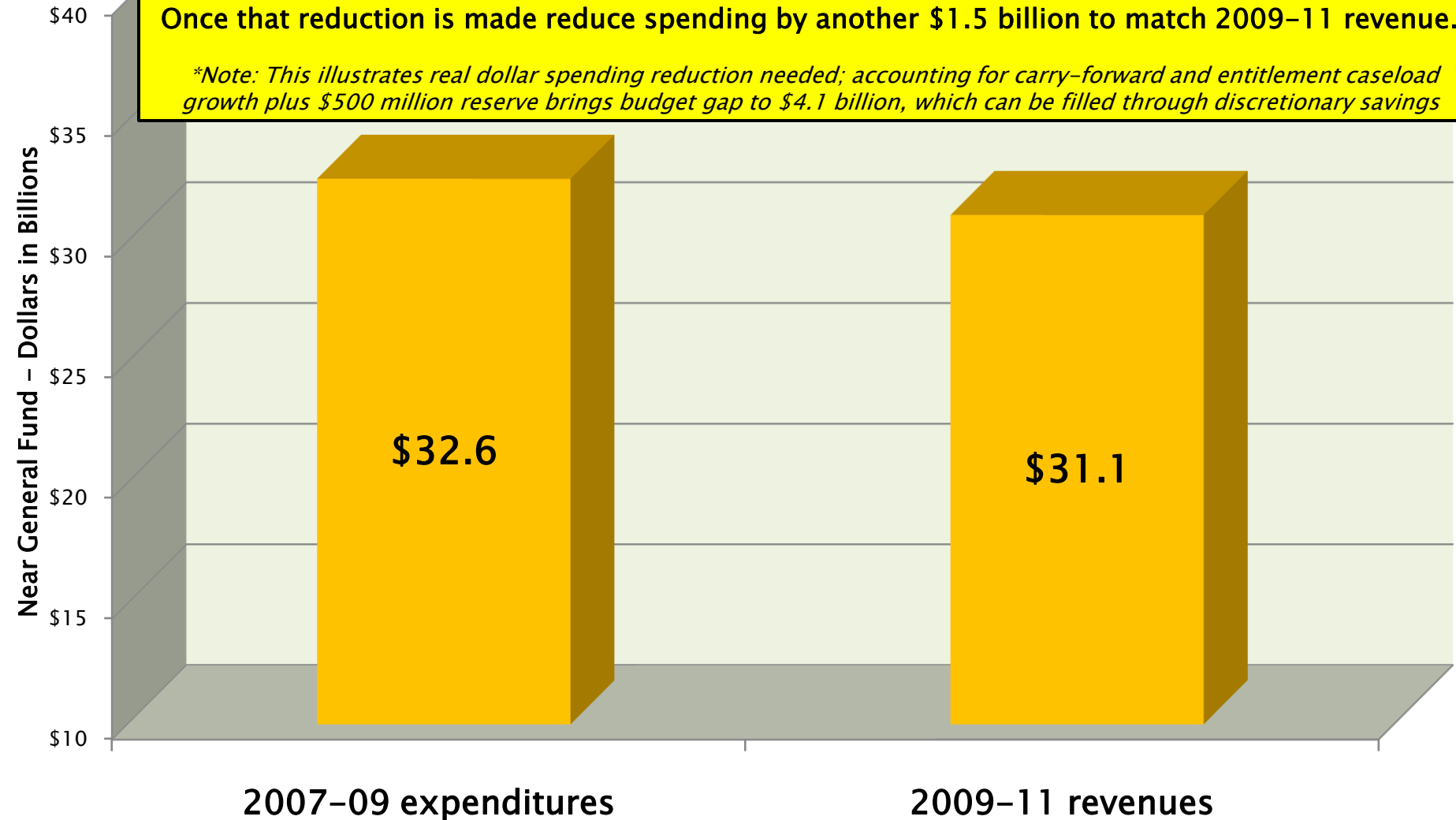
## Yes we can, Part II:

### Match projected revenue through marginal spending reductions

Current spending is \$33.7 billion; must be reduced to \$32.6 billion to end biennium in "black".

Once that reduction is made reduce spending by another \$1.5 billion to match 2009–11 revenue.

*\*Note: This illustrates real dollar spending reduction needed; accounting for carry-forward and entitlement caseload growth plus \$500 million reserve brings budget gap to \$4.1 billion, which can be filled through discretionary savings*



\* ESHB 1694 signed into law earlier this week reduced appropriation to \$33 billion, but failed to account for caseload adjustments. Absent full accounting biennial costs, the chart will characterize expenditures based on 2008 supp. budget enacted last session.

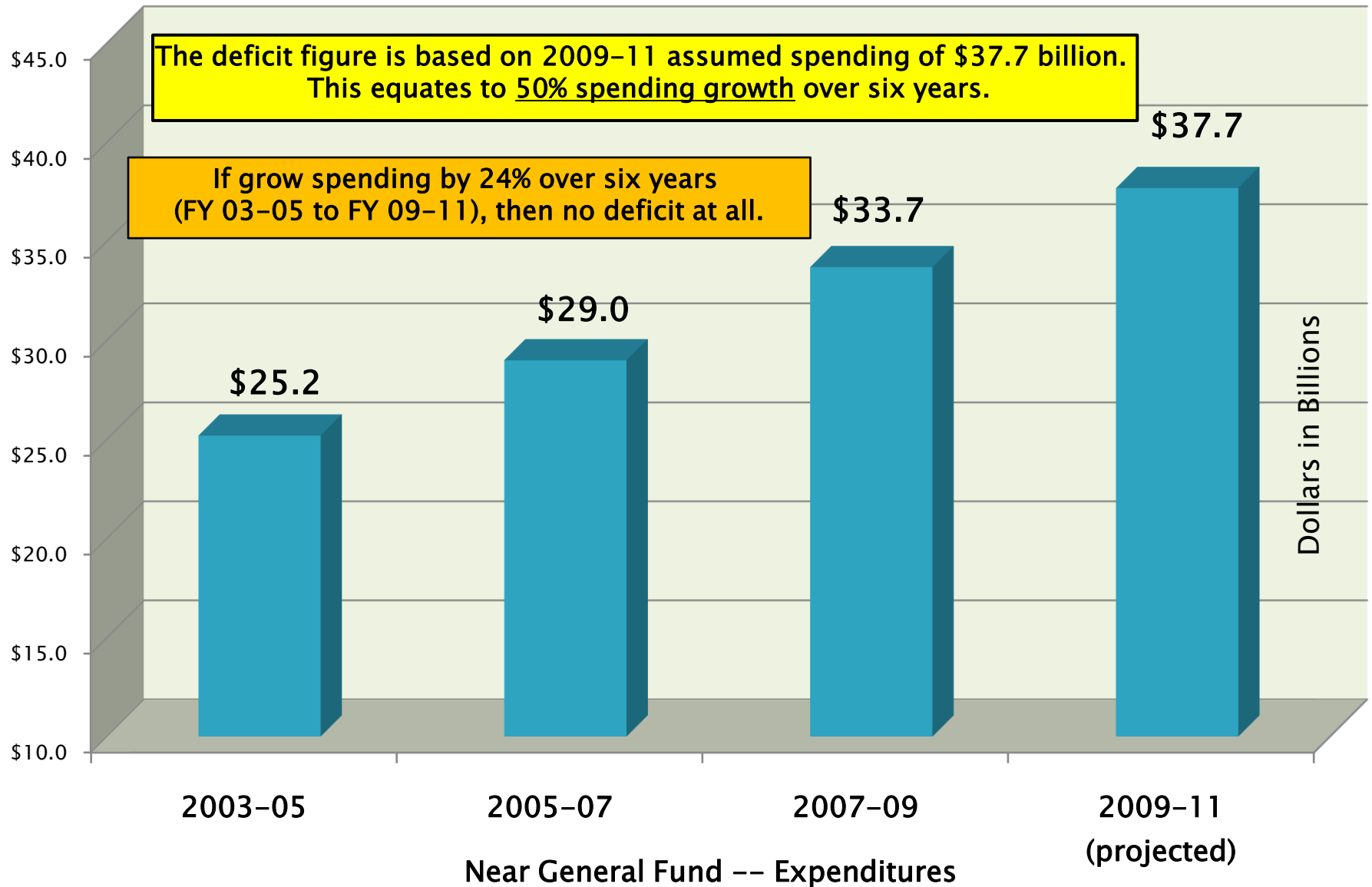
# Yes, we can: Get back to basics



- ▶ What is the point of government? What programs and services must it provide?
- ▶ What programs and services would be nice to have – but are unaffordable in these difficult times?
- ▶ When it comes to taxpayer dollars should priority go to people in nursing homes or to special interests?

## Yes we can, Part III:

### "Deficit" figure based on historically untenable spending growth



Source: LEAP (2003–05 based on 2004 supp.; 2005–07 based on actual spending; 2007–09 from 2008 supp)



# Yes, we can:

## Examples of getting back to basics

- ▶ While private employers are laying off people to balance their budgets, can't state employees and vendors forego increases in pay, benefits and rates?
- ▶ Pull back on programs started in past four years – life sciences discovery fund, all-day kindergarten expansion, health care to 300% federal poverty level
- ▶ Reform current programs – Basic Health Plan, General Assistance–Unemployable, bilingual education, anti-smoking, learning improvement days, use competitive contracting (as authorized in 2002)



# Yes, we can:

## Balance budget without new taxes

- ▶ \$1.5 billion budget gap, plus caseload entitlements and reserve, is manageable
- ▶ Majority party has publicly confirmed tax measure will be on ballot
- ▶ Likely strategy: adopt bare-bones budget, offer to let voters “buy back” services
- ▶ Translation: Voters being asked to bail out poor spending decisions

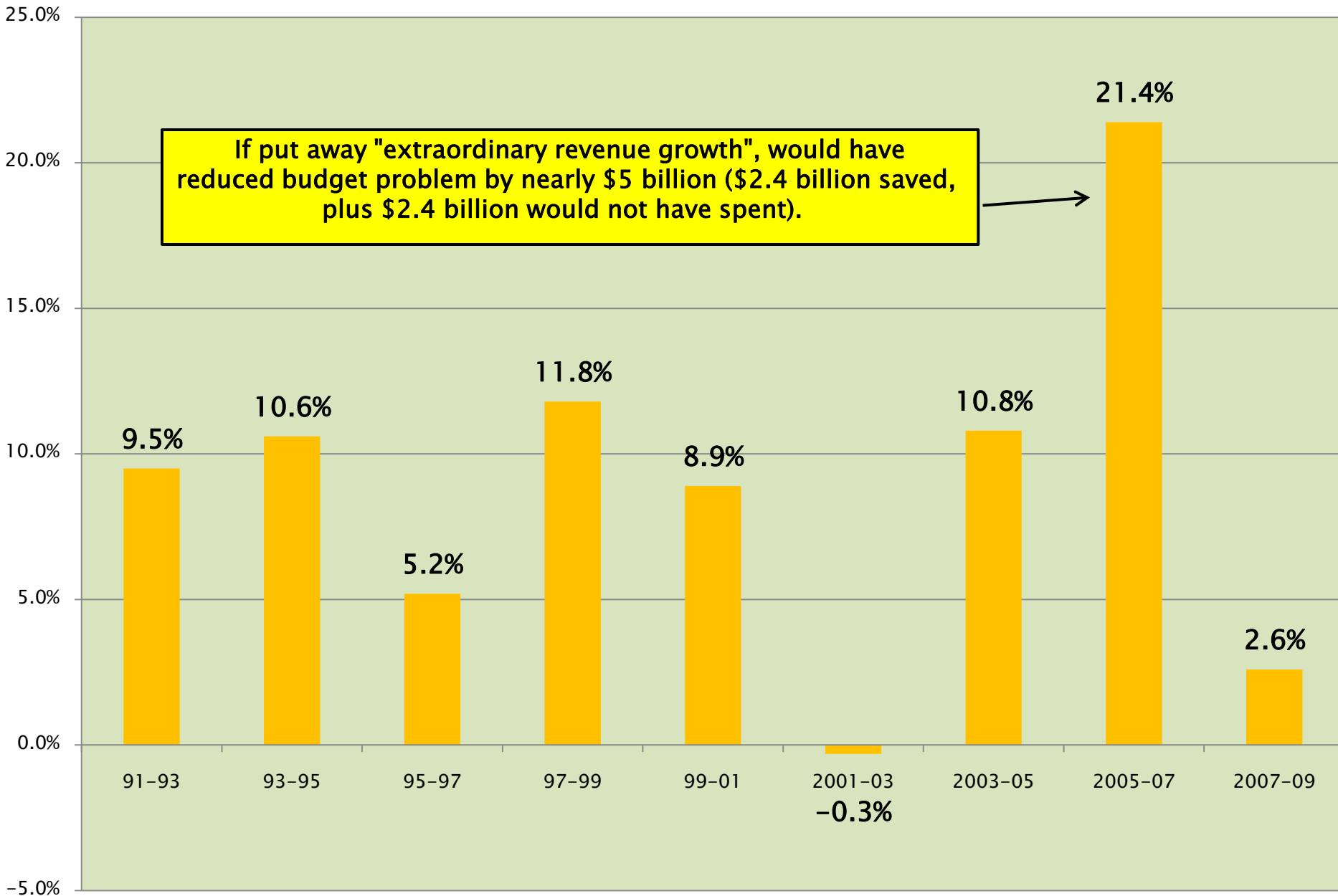


# Yes, we can:

## Put state back on firm footing

- ▶ Capture exceptional revenue growth when possible (SJR 8209)
- ▶ Match spending growth to revenue growth (SJR 8210)
- ▶ Avoid tax hikes, add no more policy-related costs
- ▶ Don't rely excessively on one-time, federal money for ongoing programs

# Constitutional General-State Revenue Growth



\* Revenue growth history recast to reflect inclusion of REET to constitutional definition in FY 06.





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